



Planning for life stages-Retirement

Last week we discussed the second stage in our series “Planning for Life Stages” Your Prime Earning Years/ Planning for Retirement”. During this stage your income will grow sometimes at an exponential rate especially if you change jobs. However, your expenses will also be increasing as well. You will be balancing many major expenses like mortgages, university tuition for the children and payments on car loans. But you should keep at the forefront of your mind the fact that you must start planning for your retirement.

The type of life you enjoy during your retirement will depend on the plans you make today. And with people spending over a third of their life in retirement we must ensure that we are properly prepared. It is estimated that one would need approximately 70% of their preretirement income to live comfortably. This however, holds true only if all your major debts have been paid off for example mortgages. If however, you have plans to see the world or go on an annual cruise then you need to do some careful planning now.

This week we are in the final life stage of which is Retirement. The first question you may ask is can I invest during retirement or even should I invest? As you approach retirement you must continue to manage your investments wisely. It is recommended that you change your investment strategy from growth to a more stable, balanced investment.

When you start receiving your retirement payments you should target bonds and stay away from stocks which tend to be more volatile. At this stage in your life you cannot afford to jeopardize your nest egg as this may be your only source of income you must therefore ensure that your investments are extremely safe. Your risk tolerance will be very low so bear this in mind when making any decisions.

There are many instruments with low risk example Certificates of Deposit and money market accounts which could be beneficial to a retiree. One can stagger the maturity of their CDs for example have CDs maturing at three months six months one year etc. this will ensure that the retiree will have a constant flow cash.

Also if you have invested wisely and have a portfolio of stocks and bonds this can be used as a regular source of income. You can advise your broker to sell at regular intervals. Some financial planners however, may advise that you sell at market peaks.

People who cannot invest because of financial reasons should not however lose hope there are specific instruments available. Firstly there is the National Insurance Corporation which pays a pension on at retirement age. Some companies offer a pension plan which will supplement that which is paid by NIC and finally some banks like the Bank of Saint Lucia offers a Registered Retirement Investment Account which allows individuals to save towards their retirement while enjoying a tax benefit.

Like we said earlier the level of comfort you enjoy depends on the decisions you make today, so start saving, investing and putting money away for your future. You never know what tomorrow will bring so start saving today for a relaxing and relaxed tomorrow. Call the Customer Service Department at Bank of Saint Lucia at 456-6000 to ask about our Registered Retirement Investment Account or email us at info@bankofsaintlucia.com.